TAIPEI OFFICE

MARKETBEATS

JUNE 2018

CUSHMAN & WAKEFIELD 戴德梁行

2,500	1.2%	10.3%
Rent (NTD/Ping/Month)	Rent Growth Rate (Q-o-Q)	Vacancy Rate

BE WHAT'S NEXT

HIGHLIGHTS

New Supply Pushes up Vacancy

At the end of 1H, Grade A stock in Taipei City reached 710,000 ping, including the completion of Nanshan Plaza in Xinyi District. The vacancy rate climbed 3 percentage points in Q2 to 10.3%, rising in all three submarkets, despite notable activity like Garena's relocation from Taipei New Horizon into a 2,010-ping office in Uni-President International Bldg. Contributing factors include: a number of tenants have not yet moved into Nanshan Plaza in Xinyi District except Deloitte, The Executive Centre, and EPSON; Deloitte vacated its premises in Dunbei Minsheng District; and several tenants moved out of Dunnan Financial Bldg given urban renewal plans. Yet, the vacancy rate in Xinyi District is expected to decline in 2H as TSAR&TSAI Law Firm and E.SUN BANK move into Nanshan Plaza.

Premium Buildings Push up Rent

In Q2, average rent increased 1.2% q-o-q to NTD$2,500 ping per month, led by Xinyi District. In particular, quality buildings like Nanshan Plaza in Xinyi are commanding premium rent, which in turn has pushed up overall levels in the district.

Fintech Increasing Office Demand

Fast growing startups in the Fintech industry have emerged as a significant source of office demand. Notably, in Q2 Nothe JKOPAY leased a large amount of office space in Taiwan Cooperative Bank's new headquarters and Cobinhood Digital Finance settled into Taipei 101. Amid a rapidly developing segment, Fintech occupiers are projected to account for a major share of space in Taipei's quality office buildings looking ahead.

A Cushman & Wakefield Research Publication

DATA INTO ACTION

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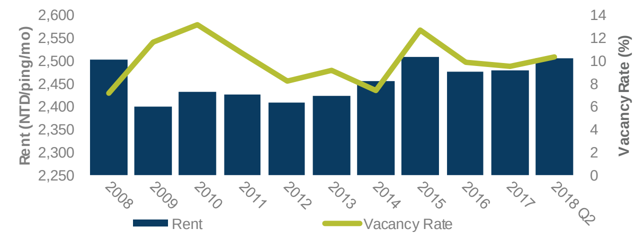
Economic Indicators

	2017 Q4	2018 Q1	2018-2019 Forecast
GDP Growth	3.4%	3.0%	▲
Service Sector GDP Growth	2.6%	3.1%	▲
CPI Growth	0.4%	1.6%	▲
Unemployment Rate (Jan to May)	3.8%	3.7%	N/A

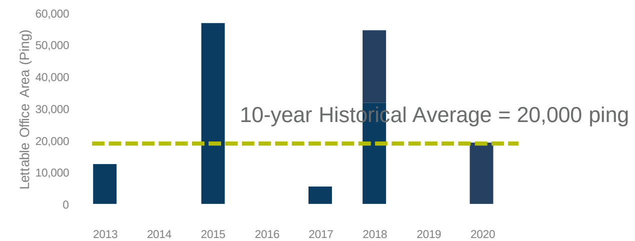
Source: Ministry of the Interior, Oxford Economics
Note: Growth figure is y-o-y growth

Rent & Vacancy Rate



Source: CW Research

Supply Pipeline



Source: CW Research

TAIPEI OFFICE MARKETBEATS JUNE 2018

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SUBMARKET	INVENTORY (Ping)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (Ping)	GRADE A RENT		
				NTD/Ping/MO	USD/SF/MO	EUR/SF/MO
Western	40,200	3.9%	0	2,100	US$1.99	€ 1.68
Nanjing/Songjiang	36,600	15.7%	8,000	2,030	US$1.92	€ 1.62
Dunbei/Minsheng	195,600	10.7%	28,500	2,280	US$2.16	€ 1.82
Dunnan	103,700	6.5%	0	2,350	US$2.22	€ 1.88
Xinyi	333,400	11.5%	11,000	3,030	US$2.87	€ 2.42
Taipei City	**709,500**	**10.3%**	**47,500**	**2,500**	**US$2.36**	€ 2.00

1USD= 29.72TWD, 1EUR= 35.14 TWD as of 6th Mar 2018.

Key Leasing Transactions Q2 2018

PROPERTY	SUBMARKET	TENANT	PING	LEASE TYPE
Nan Shan Plaza	Xinyi	Deloitte Taiwan	7,400	Relocation
Nan Shan Plaza	Xinyi	EPSON	1,030	Relocation
Nan Shan Plaza	Xinyi	The Executive Centre	620	New Lease
Uni-President International Tower	Xinyi	Garena	2,010	Relocation
Taipei 101 Tower	Xinyi	COBINHOOD	840	Relocation
Hung Tai Ctr.	Dunbei / Minsheng	China Electric	335	Relocation
Dunnan Comm. Bldg.	Dunnan	Unisys	250	Relocation
Farglory Finanical Center	Xinyi	Endao Ltd.	120	New Lease
Hung Kuo Bldg.	Dunbei / Minsheng	Hai Wang Company	110	Relocation

Significant Projects Under Construction

PROPERTY	SUBMARKET	MAJOR TENANT	PING	COMPLETION DATE
Cathy Minsheng Jianguo Building	Dunbei/Minsheng	-	11,900	2018
UDN Zhongxiao Building	Xinyi	-	11,000	2018
Taipei Dome	Xinyi	-	11,400	2020
Yuanta Life New Headquarters	Nanjing/Songjiang	Yuanta Group	8,000	2020
China Life Headquarters	Dunbei/Minsheng	China Life, China Development Financial	16,600	2020

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MARKETBEAT

Industrial-Office Snapshot Q2 2018

Taipei

CUSHMAN & WAKEFIELD 戴德梁行

TAIPEI INDUSTRIAL/OFFICE

Economic Indicators

	Q4 17	Q1 18	Past 12-Month Growth
GDP Growth	3.4%	3.0%	▲
Secondary Sector Growth	2.8%	3.4%	▲
CPI Growth	0.4%	1.6%	▲

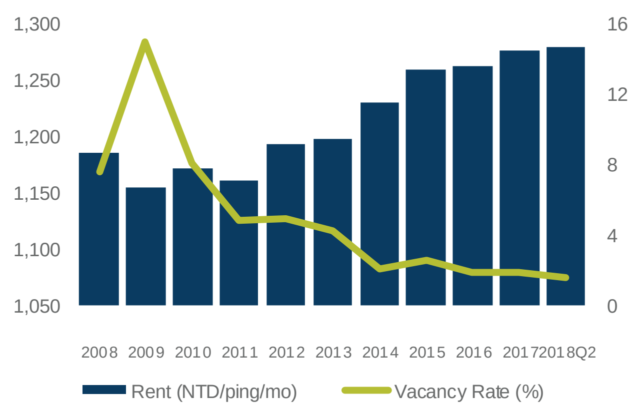
Source: Ministry of the Interior
Note: Growth figure is y-o-y growth

NHTP Industrial Market Statistics (Xihu Section)

	Q1 18	Q2 18	12-Month Forecast
Rent (NT$/ping/mo)	1,280	1,280	▲
Vacancy Rate	1.5%	1.6%	▬

Source: Cushman & Wakefield Research

NHTP Industrial/Office Rent & Vacancy Rate (Xihu Section)



Source: Cushman & Wakefield Research

Economy

Taiwan's Secondary Sector expanded 3.4% y-o-y in Q1 owing to industrial growth in the electronics-related and automated device-production categories, which benefited from rising demand for High Performance Computing Chips and manufacturers' expansion activities. GDP increased 3.0% y-o-y to NT$4.4 trillion (US$147 billion) in Q1, while CPI heated up to 1.6%. GDP is forecast to grow 2.6% in 2018.

Market Overview

No new I/O supply was added in Neihu Technology Park in Q2. Xihu Section recorded steady take-up, with move-ins and move-outs offsetting. Xihu's vacancy rate edged up 0.1 percentage points q-o-q to 1.6%, remaining the lowest among all three I/O sections.

Wende Section witnessed several large-scale transactions, including a combined 2,500 ping worth of space leased by an online shopping platform company, software industry firm and multimedia industry firm at Building B of Boss The World D.C. Another notable lease saw a firm in the optics industry take out 650 ping at Building C of Boss The World D.C. The two buildings recorded full occupancy at quarter's end, helping to drive down Wende Section's vacancy rate 2.3 percentage points q-o-q to 8.2%.

Jiuzong Section recorded a 1,200-ping lease on the 1/F of Flyinto The Sky of Technology Building by an automobile firm. Elsewhere, a media company took out 1,400 ping at Gen-ding Jiuzong Building. The section's vacancy rate tightened 3.3 percentage points q-o-q to 21.0% in Q2.

Average rent in Xihu, Wende and Jiuzong Sections remained steady at NT$1,280, NT$970 and NT$920 per ping per month, respectively. Capital values in each section also remained stable in Q2: Xihu at NT$520,000–620,000, Wende at NT$380,000–450,000 and Jiuzong at NT$350,000–430,000 per ping.

There was significant investment activity in NHTP in Q2. Major deals included Yu Li Enterprise's NT$2.77 billion en bloc acquisition of London Technology Headquarters Building (7,100 ping), and Elison Fashion's NT$433 million sale of the 3/F at Nasdak Building to TaiMed Biologics in Xihu Section. Other notable deals were Founding Construction & Development Company's NT$212 million sale of about 430 ping on the 7/F at Universal Technology Center in Wende Section to Genesis Technology, and Transcend Information's en bloc acquisition of Lihpao Group's headquarters at Xinhu 3rd Road in Jiuzong Section (7,200 ping) for NT$2.37 billion.

Outlook

Demand for I/O space continues to grow in NHTP thanks in part to media and game industries' expansions. Ahead, rental growth should be on the rise in Xihu Section but could face downward pressure in Jiuzong Section in the short term.

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Industrial-Office Snapshot Q2 2018

Taipei

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About Cushman & Wakefield

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Retail Snapshot Q2 2018

Taiwan

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TAIWAN RETAIL

Economic Indicators

	Q4 17	Q1 18	Past 12-Month Growth
GDP Growth	3.4%	3.0%	▲
CPI Growth	0.4%	1.6%	▲

Source: Directorate-General of Budget, Accounting and Statistics

Sales of General Merchandise

	Jan – Apr 2017	Jan – Apr 2018
Cumulative Sales of General Merchandise (NT$bn)	392.1	412.9
	Apr 2017	Apr 2018
Sales of General Merchandise (NT$bn)	98.4	103.1

Source: Department of Statistics, Ministry of Economic Affairs

Prime Average Retail Rents – Q2 2018

	Vacancy Rate	Rental Range (NT$/ping/mo)	Rental Range (US$/sq ft/mo)	12-Month Outlook
Zhongxiao	4.0	13,000–20,000	12.3~18.9	—
Taipei Railway Station	2.1	9,000–12,000	8.5~11.3	—
Zhongshan/ Nanjing	4.2	8,000–12,000	7.6~11.3	—
Ximen	1.5	17,000–20,000	16.1~18.9	—

Note: Only street front shops are taken into account. All data are based on gross floor area unless otherwise specified. Rentals are exclusive of management fees and other outgoings. 1 ping = 35.58 sq ft = 3.3 sq m
Note: NT$/US$ 29.72 as at 11 June 2018

Significant Q2 2018 Store Openings

Retail Hub	Location	Tenant	Area (ping)
Ximen	Chengdu St.	Under Armour	151.5
Taipei Railway Station	Zhongxiao W. Rd.	Shin Kong Lohas Future-Living Hall	861.0
Zhongshan/ Nanjing	Nanjing W. Rd.	iROO	86.6

Significant Projects Under Construction

Project Name	District	Opening Date	GFA (ping)
Eslite Nanxi	Zhongshan Dist., Taipei City	Q3 2018	4,900
ATT 4 Life	Zhongshan Dist., Taipei City	Q3 2018	15,000
ASE WeMall	Tucheng Dist., New Taipei City	Q3 2018	8,000
Breeze Nan Shan	Xinyi Dist., Taipei City	Q4 2018	12,000

Economy

Over the first four months of 2018, sales of general merchandise increased 5.3% y-o-y to NT$412.9 billion (US$13.9 billion) in Taiwan. Over the same period, sales at department stores, supermarkets and convenient stores increased 2.6%, 7.1% and 7.4% y-o-y, respectively, owing in part to Mother's Day sales promotions.

Market Overview

The vacancy rate in the overall market remained stable on balance in Q2. Vacancy increased 0.7 percentage points q-o-q to 4.0% in Zhongxiao; the hub's vacancy rate could even be closer to 5.9% if measured to exclude occupancy by a significant number of pop-up stores. Vacancy tightened in Taipei Railway Station and Zhongshan/Nanjing by 1.0 and 0.6 percentage points q-o-q, respectively.

Amid softer economic growth, an emerging trend is the prevalence of small shops and micro retail businesses providing low-cost entertainment. Reflecting this trend, arcades that had been concentrated in Ximen and Taipei Railway Station retail hubs targeting teenage customers now appear across the market. Mini karaoke booths in department stores also have sprouted up amid this trend.

Elsewhere, 7-Eleven, owned by Uni-President Enterprises Corporation, has expanded into the sports trade. In Q2, the company opened a convenience store-plus-gym complex. Patrons are charged on an hourly basis, which is unique to the market. Meanwhile, convenient stores are increasingly offering food and shower facilities to attract patrons.

Openings for Q2 include City Link Neihu, adding 2,400 ping of new retail supply. This marks the second City Link in the city to have Tsutaya Bookstore. Moreover, Shulin Showtime Live opened in Q2, encompassing 14 floors across 16,900 ping of floor area. Shulin Showtime Live is a movie theatre-shopping mall complex, which has notable brands like Petite Etude, Uniqlo and Muji.

Outlook

As the department store market in Taipei's CBD becomes potentially saturated, some operators are expanding into decentralized areas of the city.

For example, ASE WeMall is due to open in Tucheng next quarter, featuring a shopping center with an apartment tower to be built above. ASE WeMall should not only influence housing prices, but provide residents with a pleasant shopping-plus-living environment. Another shopping mall under construction outside of the CBD is Yulon in Xindian.

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Retail Snapshot Q2 2018

Taiwan

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About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. In Greater China, the firm has a co-branded presence under the name of Cushman & Wakefield and operates 20 offices in the region. Cushman & Wakefield is among the largest commercial real estate services firms with revenues of $5 billion across core services of agency leasing, asset services, capital markets, facility services, global occupier services, investment & asset management, project management, tenant representation and valuation & advisory. To learn more, please visit www.cushmanwakefield.com.

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MARKETBEAT

Investment Snapshot Q2 2018

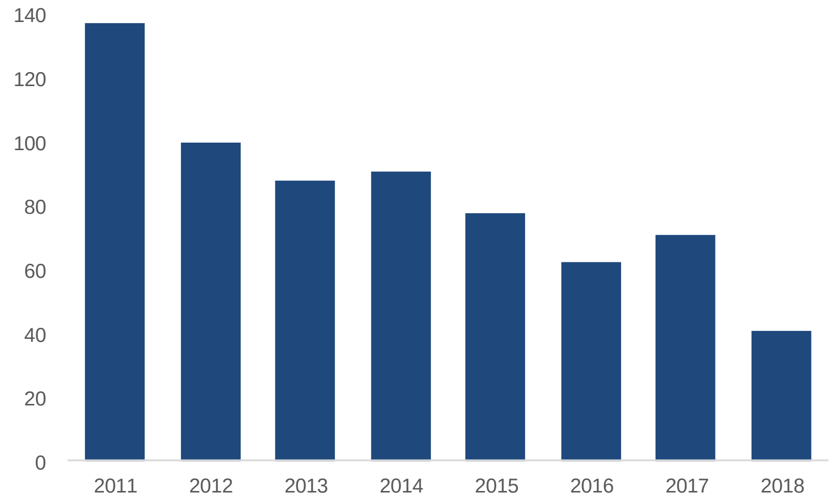
Taipei

Market Highlights

- In Q2, commercial real estate investment amounted to NT$30.6 billion, nearly tripling on a y-o-y basis. The surge in consideration was mainly fueled by occupiers in core areas seeking new spaces to relocate to amid the launch of urban renewal schemes in the city.
- The I/O sector accounted for 83% of quarterly investment. In particular, I/O properties in decentralized areas of Greater Taipei, including Neihu, Xizhi, Wugu, have been hot spots for investment amid growing office consolidation and expansion activities.
- The land sector recorded NT$47.3 billion worth of investment in Q2, increasing the first-half total to NT$90 billion. The sector is on track to exceed NT$100 billion in investment in 2018.
- Ahead, decentralized I/O and office properties are likely to continue to be in high demand due to expansion and relocation requirements.
- In April, the Taipei City Government unveiled an extensive urban renewal scheme that involves revitalizing 70 sites in core areas of the city. The plan is expected to bring a breath of fresh air to the land sector in Taipei City.

Figure 1

Total Major Investment Volume (NT$ bn)



Source: Cushman & Wakefield Research

Note: Data for 2018 is as of 2nd Jul.

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Economic Overview

Supported by rising freight transport demand and wholesale trade volume, the Service Sector expanded 3.1% y-o-y in Q1. The Manufacturing Sector grew 3.4% y-o-y in Q1 owing to industrial growth in the electronics-related and automated device-production categories, which benefited from rising demand for High Performance Computing Chips and manufacturers' expansion activities. GDP increased 3.0% y-o-y to NT$4.4 trillion (US$147 billion) in Q1, while CPI heated up to 1.6%. GDP is forecast to grow 2.6% in 2018.

Market Overview

The market recorded NT$30.6 billion worth of commercial real estate investment in Q2, nearly tripling in volume from one year ago. The surge in consideration was mainly fueled by occupiers in core areas seeking new spaces to relocate to amid the launch of urban renewal schemes in the city.

The quarter's most significant deal was Formosa Plastics Group's purchase of 3 en-bloc buildings (30,700 ping in total) in TCBD in Neihu, Taipei City for NT$18.7 billion. The transaction is the city's second largest ever, behind the sale of Shinkong Mitsukoshi A8 in 2015 for NT$27.0 billion. Formosa plans to relocate into the new spaces due to revitalization works being carried out at its current headquarters.

Amid growing office consolidation and expansion activities, the I/O sector accounted for 83% of consideration in Q2. In particular, I/O properties in decentralized areas of Greater Taipei, including Neihu, Xizhi, Wugu, have been hot spots for investment. Owner- occupiers in tech and manufacturing sectors remain the main buyers, followed by the rising biotech sector.

Major deals were Transcend Information's en-bloc acquisition of Lihpao Group Headquarters in Neihu for NT$2.37 billion; TaiMed Biologics' purchase of a 700-ping space at Chang Hong NASDAQ Building in Neihu for NT$0.43 billion; and TaiDoc Technology's buying of a factory in New Taipei Industrial Park for NT$0.82 billion.

Meanwhile, buyers with investment purposes were also drawn to assets in decentralized areas. Notable deals were Yu Li's en-bloc acquisition of Farglory London Headquarters in Neihu for NT$2.77 billion, and Bai Da International Asset Management's purchase of 5 streetfront retail units in Dazi for NT$0.7 billion.

The land sector saw a robust quarter of deals, totaling NT$47.3 billion. It was the third consecutive quarter that the sector recorded consideration over NT$40 billion. With the first half of the year's consideration already amounting to more than NT$90 billion, land transaction volume is on track to exceed NT$100 billion for the full year.

Table 1

STATS ON THE GO

Economic Indicators

	Q4 17	Q1 18	Previous 12 Months
GDP Growth	3.4%	3.0%	▲
Prime Leading Loan Rate	2.63%	2.63%	▬
CPI Growth	0.4%	1.6%	▲

Source: Ministry of the Interior

Table 2

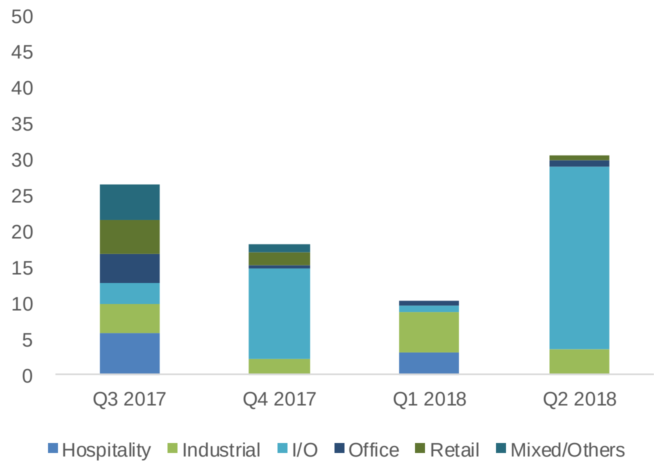
Investment Volume

	Deals	NT$bn	Change q-o-q (%)
Office	1	0.93	79%
Retail	1	0.71	100%
I/O	7	25.49	2319%
Industrial	4	3.46	-38%
Hospitality	0	-	-100%
Mixed/Others	0	-	0%
Overall	**13**	**30.60**	**198%**

Source: Cushman & Wakefield Research
**Note: excludes land transactions*

Figure 2

Investment Volume by Sector (NT$ bn)



Source: Cushman & Wakefield Research

Residential development sites in consolidation zones remained the principle source of land investments in Q2. Developers dominated the lots tenders in New Taipei City, Taichung City and Kaohsiung City. In particular, a combined NT$6 billion was invested in Q2 in Yan-Bei Land Consolidation Zone in Xindian, New Taipei City, which since Q3 2017 has been one of the most sought-after consolidation zone for developers.

Outlook

With little availability for large-scale office expansions in core areas and ongoing urban renewal schemes impacting many current building occupants, owner-occupiers may increasingly seek I/O and office properties in decentralized areas, such as Neihu and Nangang in Taipei City.

In April, the Taipei City Government announced that 70 sites will be repositioned for urban renewal redevelopment in Taipei in September. Although further guidelines have yet to be released, with little availability of developable sites in the city there is a likelihood that it could drive investment activity in the land sector in the latter half of the year.

Table 3

Significant Investment Transactions, Q2 2018

PROPERTY	PURCHASER	LOCATION	SECTOR	PRICE (NT$ BN)
TCBD	Formosa Plastics Group	Neihu Dist., Taipei City	Industrial Office	18.70
Farglory London Headquarters	Yu Li Enterprise	Neihu Dist., Taipei City	Industrial Office	2.77
Lihpao Group Headquarters	Transcend Information	Neihu Dist., Taipei City	Industrial Office	2.37
New Taipei Industrial Park	TaiDoc Technology	Wugu Dist., New Taipei City	Industrial	0.82
Taipei Times Square	Bai Da Asset Management	Zhongshan Dist., Taipei City	Retail	0.71
Farglory U-Town	Garmin	Xizhi Dist., New Taipei City	Industrial Office	0.68
Chang Hong NASDAQ Building	TaiMed Biologics	Neihu Dist., Taipei City	Industrial Office	0.43

Source: Cushman & Wakefield Research

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